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Honorable Members of the Washington State Legislature:

Despite three years of cutting budgets, reducing and eliminating services, and transforming government, Washington faces yet another major challenge. The September revenue forecast has forced another major overhaul of the state operating budget, this time to accommodate a drop of nearly \$1.4 billion. Given signs that the November forecast is likely to bring additional bad news, I have prepared a list of alternatives that represent total expenditure reductions of more than \$2 billion for the 2011–13 biennium. We will need at least that much to balance the budget and maintain a reserve.

After earlier rounds of tough budget cutting, it is clear to me that across-the-board reductions — the only tool available under law to a governor — are untenable. Nonetheless, given the magnitude of the shortfall, it is necessary that we look to each state agency, program, board and commission for additional savings.

While my staff and I are preparing the formal supplemental operating budget for submission next month, today I offer a starting point to the conversation we must engage in to resolve our budget problem. Attached is a summary of alternatives I am considering to reach savings of approximately \$2 billion. To compile this list, I worked with agency directors to identify expenditure reductions in addition to the 5 percent and 10 percent reduction options submitted last month to the Office of Financial Management.

As you will see, I have identified alternatives, most of which will likely be included in my supplemental budget proposal next month to launch this discussion. As I receive feedback from around our state, I may include others.

The alternatives we have identified are very difficult and will undoubtedly cause concern across the state. They cause me concern. Many of these are reductions or reforms that I proposed previously but were not adopted by the Legislature. And now, to solve this even greater problem, I have looked at potential service reductions and eliminations that, quite frankly, would never have been considered just a few years ago.

In developing this list of alternatives, I directed my budget staff to follow several guiding principles:

- Our state's economic recovery must be a top priority.
- Our children deserve the best public education we can provide to ensure their future success and that of our state.

- Our vulnerable citizens continue to need protection despite — and perhaps in part due to — these tough times.
- Our citizens must be safe in their homes and communities.
- Service delivery is a more important investment of declining tax dollars than is advocacy.
- These principles must evolve when funding is tight. Our citizens should be served to the best of our ability with limited available funds.

While we have worked to adhere to these principles, reductions of this magnitude are impossible without harming many important programs and services. For example, the reductions that will likely be included in my November budget proposal would:

- Eliminate the Basic Health Plan, ending subsidized health care to 35,000 low-income individuals.
- Cut off medical services to 21,000 people enrolled in the state's Disability Lifeline and ADATSA (Alcoholism and Drug Abuse Treatment Support Act) programs.
- Trim 15 percent from the support we provide to our colleges and universities.
- Reduce levy equalization, which helps property poor districts, by 50 percent.
- Cut the length of supervision for all offenders, based on severity of offense. Sex offenders will be supervised for 24 months, and all other offenders, for 12 months.

The alternatives we have put forward could have dire repercussions for the citizens of our state, especially those who have already been affected the most by previous cuts to state services. But the Great Recession has taken an almost unprecedented toll on our state's revenue stream and left us with very few options. While I have worked diligently to stay true to the values and principles that I believe reflect those held by Washingtonians, I recognize that they will not be fulfilled as the recession holds us in its grip.

I look forward to receiving your input in the next few weeks as we work together in the special session on behalf of the people of Washington.

Sincerely,



Christine O. Gregoire
Governor

cc: Marty Brown, Director, Office of Financial Management
Marty Loesch, Chief of Staff, Office of the Governor
David Schumacher, Senate Ways & Means Committee
Charlie Gavigan, House Ways & Means Committee